

REPORT OF THE AUDITOR-GENERAL TO THE NORTHERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL ON MIER LOCAL MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the financial statements of the Mier Local Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2013, the statements of financial performance, changes in net assets, the budget statement and cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and Division of Revenue Act of South Africa, 2012 (Act No. 5 of 2012) (DoRA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

Property, Plant and Equipment

4. The municipality classified game that is being leased out to a tenant as part of Property, Plant and Equipment, in accordance with GRAP 13, *Leases*, the leasing of the game should have been classified as a finance lease, as substantially all the risks and rewards incidental to ownership have been transferred to the tenant. Consequently, property, plant and equipment and reserves is overstated by R9 362 096 and R6 145 714, I was not able to determine the full extent of the understatement on the annual financial statements, as it was impracticable to do so.
5. The subsequent measurement of land and buildings included in the annual financial statements are not in accordance with the adopted accounting policy and the requirements of GRAP 17, *Property, Plant and Equipment*, differences were identified between the measurement of land and buildings and the values of land and buildings included in the municipal valuation roll. Consequently, property, plant and equipment and accumulated surplus is overstated by R57 489 642.
6. I was unable to obtain sufficient appropriate audit evidence for the carrying values of land and buildings and landfill sites included in the annual financial statements, as the carrying values of land and buildings are not supported by the municipal valuation roll and the methods and assumptions applied to determine the value of landfill sites could not be confirmed. I was unable to confirm the carrying values of land and buildings and municipal landfill sites by alternative means. Consequently, I was unable to determine

whether any adjustment relating to the property, plant and equipment stated at R337 224 773 (2012: R342 503 416) in the annual financial statements was necessary.

7. The municipality included land and buildings as part of property, plant and equipment of which they are not the legal owner, the land and buildings does not fall within recognition criteria of an asset in accordance with GRAP 17, *Property, Plant and Equipment*. Consequently, property, plant and equipment and accumulated surplus is overstated by R1 499 839.

Revenue from Exchange and Non – Exchange transactions

8. I was unable to obtain sufficient appropriate audit evidence for the service charges included in the annual financial statements, as audit evidence could not be submitted to determine the reasonableness of estimated water consumption charged during the year. I was unable to confirm the service charges by alternative means. Consequently, I was unable to determine whether any adjustment relating to the services charges, water revenue, stated at R2 910 391 in the annual financial statements was necessary.
9. The municipality did not have adequate systems in place to ensure that all municipal consumers are charged for water, sanitation and refuse during the year, as required by GRAP 9, *Revenue from Exchange Transactions*. I was unable to quantify the amount of misstatement on the annual financial statements as it was impracticable to do so, consequently revenue from exchange transactions and trade and other receivables from exchange transactions is misstated with an undetermined amount. Additionally, there is a consequential impact on the surplus and accumulated surplus for the period.
10. The municipality did not recognise profit shares to be received from agreements entered into with third parties, as required by GRAP 9, *Revenue from Exchange Transactions*. I was unable to quantify the amount of misstatement on the annual financial statements as it was impracticable to do so, consequently revenue from exchange transactions and trade and other receivables from exchange transactions are understated with an undetermined amount. Additionally, there is a consequential impact on the surplus and accumulated surplus for the period.
11. The municipality did not charge interest on arrear consumer accounts, as required by the MFMA section 64, Revenue Management and the fair value principals of revenue as set out in GRAP 9 and 23 for *Revenue from Exchange and Non – Exchange Transactions*. I was unable to quantify the amount of the misstatement on the annual financial statements as it was impracticable to do so, consequently revenue from exchange transactions and trade and other receivables from exchange and non - exchange transactions are understated with an undetermined amount. Additionally, there is a consequential impact on the surplus and accumulated surplus for the period.

Expenditure

12. I was unable to obtain sufficient appropriate audit evidence regarding general expenditure, as the records of the municipality does not support the general expenditure recorded and the movement in the provision for the restoration of landfill sites, as included in the annual financial statements. I was unable to confirm the general expenditure by alternative means. Consequently I was unable to determine whether any adjustment relating to general expenditure stated at R10 518 857 in the annual financial statements was necessary.
13. I was unable to obtain sufficient appropriate audit evidence regarding depreciation and amortisation expenditure, due to reliable audit evidence that is not available to support methods and assumptions used to determine the value of landfill sites capitalised in the annual financial statements of the municipality. I was unable to confirm the depreciation and amortisation expenditure by alternative means. Consequently, I was unable to

determine whether any adjustment relating to depreciation and amortisation expenditure stated at R9 159 451 (2012: R8 862 784) in the annual financial statements was necessary.

Employee cost

14. I was unable to obtain sufficient appropriate audit evidence regarding employee related cost, as the records of the municipality does not support the basic salaries and allowances paid to municipal officials. I was unable to confirm the employee cost by alternative means. Consequently, I was unable to determine whether any adjustment relating to employee cost stated at R7 150 716 in the financial statements was necessary.

Provisions

15. I was unable to obtain sufficient appropriate audit evidence for the provision for the restoration of landfill sites included in the annual financial statements, as the methods and assumptions applied could not be confirmed regarding the remaining useful lives of the landfill sites of the municipality. I was unable to confirm the provision for the restoration of landfill sites by alternative means. Consequently, I was unable to determine whether any adjustment relating to the provisions stated at R18 533 151 (2012: R20 372 388) in the annual financial statements was necessary.

Payables from Exchange Transactions

16. I was unable to obtain sufficient appropriate audit evidence for the salary control account included in the annual financial statements, as audit evidence could not be submitted for the control account. I was unable to confirm the trade and other payables from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments relating to the payables from exchange transactions, stated at R8 336 998 in the annual financial statements was necessary.

Receivables from Exchange and Non - Exchange Transactions

17. I was unable to obtain sufficient appropriate audit evidence for the provision for impairment included in the annual financial statements, as the provision have not been calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows as required by GRAP 104, *Financial Instruments*. I was unable to confirm the provision for impairment by alternative means. Consequently, I was unable to determine whether any adjustments relating to the receivables from exchange and non - exchange transactions, stated at R5 876 278 and the movement in the impairment provision, stated at R2 530 983 in the annual financial statements was necessary.

Cash Flow Statement

18. I was unable to obtain sufficient appropriate audit evidence regarding the movements recorded in the cash flow statement, as the records of the municipality does not support the expenditure transactions recorded in the annual financial statements. I was unable to confirm the movements recorded in the cash flow statement by alternative means. Consequently, I was unable to determine whether any adjustment relating to cash flow statement included in the annual financial statements for the current and prior year was necessary.

Biological assets

19. I was unable to obtain sufficient appropriate audit evidence regarding biological assets, as I did not attend the annual game count of the municipality on 30 June 2012. I was unable to confirm the biological assets by alternative means. Consequently, I was unable to determine whether any adjustments relating to the biological assets, stated at R3 216 382 in the prior year financial statements was necessary. My opinion on the current period's annual financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

Irregular expenditure

20. I was unable to obtain sufficient appropriate audit evidence that management has accounted for all irregular expenditure. I was unable to confirm the irregular expenditure by alternative means. Consequently, I was unable to determine whether any adjustments relating to the irregular expenditure stated at R24 920 236 (2012: R16 835 389) in the annual financial statements was necessary.

Investment Property

21. I was unable to obtain sufficient appropriate audit evidence regarding the fair value of investment property, as the fair value of the property was calculated by using the gross rental income received on the lease as basis for determining fair value. Included in the lease payments received, is a portion for the leasing of game, which has not been proportioned between the land and buildings and game being leased, as required by GRAP 13, *Leases*. I was unable to confirm the rental income specific to land and buildings by alternative means. Consequently, I was unable to determine whether any adjustments relating to the investment property, stated at R8 565 376 in the financial statements was necessary.
22. The municipality did not classify all land held for undetermined use as investment property in accordance with GRAP 16, *Investment Property*. Consequently, investment property is understated and property, plant and equipment overstated by R20 361 286 (2012: R20 361 286).

Consumer deposits

23. The municipality did not charge consumer deposits as required by the Credit Control Policy adopted by council for the municipality for the current and prior year. Consequently, I was unable to quantify the amount of the misstatement on the annual financial statements as it was impracticable to do so. Additionally, there is a consequential impact on the accumulated surplus for the period.

Inventory

24. The municipality did not have adequate systems in place to monitor and report on water losses for the current and prior year, as required by the section 125 of the MFMA. Consequently, no disclosure was made in the annual financial statements; I was unable to quantify the amount of the misstatement on the annual financial statements as it was impracticable to do so. Additionally, there is a consequential impact on water inventory, the surplus and accumulated surplus for the period.

Related Party Disclosure

25. The municipality did not have adequate systems in place to identify and disclose related party relationships, balances and transactions, as required by IPSAS 20, *Related Parties* for the current and prior year. Consequently, I was unable to quantify the amount of the misstatement on the annual financial statements as it was impracticable to do so.

Aggregation of immaterial uncorrected misstatements

26. The annual financial statements as a whole are materially misstated due to the cumulative effect of numerous individually immaterial uncorrected misstatements in the following elements making up the statement of financial position:

- Trade and other receivables from exchange and non – exchange transactions reflected as R5 876 278, is understated by R1 610 977.
- Trade and other payables from exchange and non – exchange transactions reflected as R9 035 897, is understated by R102 658.
- The accumulated surplus reflected as R315 264 849, is understated by R183 527.
- Long term liabilities reflected as R1 009 335, is understated by R24 515.

Disclaimer of opinion

27. Because of the significance of the matters described in the Basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

Emphasis of matters

28. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Significant uncertainties

29. With reference to note 47 to the financial statements, the municipality is the defendant in several lawsuits. The ultimate outcome of the matter cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

Restatement of corresponding figures

30. As disclosed in note 36 to the financial statements, the corresponding figures for 30 June 2012 have been restated as a result of errors discovered during 2012-13 in the financial statements of the Mier Local Municipality at, and for the year ended, 30 June 2012.

Unauthorised expenditure

31. As disclosed in note 41.1 to the financial statements, unauthorised expenditure of R41 363 334 (2012: R24 926 713) was incurred, due to overspending of the budget.

Fruitless and wasteful expenditure

32. As disclosed in note 41.2 to the financial statements, fruitless and wasteful expenditure of R651 343 (2012: R270 389) was incurred, due to penalty and interest charges and late payment of supplier accounts.

Subsequent events

33. As disclosed in note 49 to the financial statements, the municipality have been placed under financial administration by the MEC of Local Government in the Northern Cape.

Going concern

34. While the municipality has prepared financial statements on a going concern basis, there are a number of indicators that its financial sustainability may be under threat.

These include the following:

- Revenue of the municipality is not being collected, consumer debtors increased with 44% from 2011-12 financial year and 98% of consumer debtor account is outstanding for more than 90 days;
- The municipal budget have been overspent with R16 436 621 (2012: R13 584 161) for the current financial year;
- The municipality incurred a net deficit of R8 278 604 (2012: R1 538 192) during the financial year;
- The municipality is not able to settle supplier accounts within 30 days of receipt of the invoice and 84% of trade payables are outstanding for periods exceeding 30 days;
- The municipality defaulted on payment terms entered into with a credit provider;
- The unspent conditional grant liability of the municipality of R10 980 549 (2012: R4 405 557) is not cash backed;
- The current liabilities exceeds the current assets with 58%, indicating that the municipality is not in a position to settle debt as it becomes due within the next 12 months;
- The municipality is experiencing difficulty to remunerate employees within the agreed timeframes, leading to labour strikes;
- Conditional grant allocations were not used for the intended purpose and the Provincial Treasury is recovering the money from the equitable share allocation of the municipality amounting to R4 800 000, R1 602 000 (2012: R2 240 801) was recovered during the year and the balance will be recovered from the equitable share allocation of 2013-14.
- Subsequent to year end the municipality have been placed under financial administration by the MEC of Local Government in the Northern Cape Province;
- The municipality is based in a remote are in the Northern Cape Province with little economic activity and many community members are classified as indigent consumers of the municipality. As a result the municipality struggles to collect revenue and this result in significant cash flow problems, which cast significant doubt on the municipality's ability to continue as a going concern. The municipality is dependent on national and provincial grants for its continued existence.

Additional matters

35. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Unaudited supplementary schedules

36. The supplementary information set out on pages 95 to 107 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly, I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

37. The annual performance report was not presented for audit and consequently my findings below are limited to the procedures performed on the strategic planning and performance management documents.
38. The information was assessed to determine whether performance indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.
39. The material findings are as follows:

Usefulness of information

Measurability

40. The *National Treasury Framework for managing programme performance information (FMPPi)* requires that performance targets be specific in clearly identifying the nature and required level of performance. A total of 20% of the targets were not specific in clearly identifying the nature and the required level of performance. This was due to the fact that management was aware of the requirements of the *FMPPi* but chose not to apply the principles contained in the *FMPPi*.
41. The *National Treasury Framework for managing programme performance information (FMPPi)* requires that performance targets be measurable. The required performance could not be measured for a total of 20% of the targets. This was due to the fact that management did not implement a sufficient process for reporting on predetermined objectives.
42. The *National Treasury Framework for managing programme performance information (FMPPi)* requires that the time period or deadline for delivery be specified. A total of 20% of the targets were not time bound in specifying a time period or deadline for delivery. This was due to the fact that management was aware of the requirements of the *FMPPi* but did not receive the necessary training to enable application of the principles.
43. The *National Treasury Framework for managing programme performance information (FMPPi)* requires that indicators/measures should have clear unambiguous data definitions so that data is collected consistently and is easy to understand and use. A total of 100% of the indicators were not well defined in that clear, unambiguous data definitions were not available to allow for data to be collected consistently. This was due to the fact that management was aware of the requirements of the *FMPPi* but chose not to apply the principles contained in the *FMPPi*.
44. The *National Treasury Framework for managing programme performance information (FMPPi)* requires that it must be possible to validate the processes and systems that produce the indicator. A total of 100% of the indicators were not verifiable in that valid processes and systems that produce the information on actual performance did not

exist. This was due to the fact that management was aware of the requirements of the *FMPPI* but chose not to apply the principles contained in the *FMPPI*.

Compliance with laws and regulations

45. I performed procedures to obtain evidence that the municipality has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

Strategic Planning and performance management

46. The municipality did not establish a performance management system, as required by section 38(a) of the Municipal Systems Act, 2000 (Act No. 32 of 2000).
47. The accounting officer of the municipality did not by 25 January assess the performance of the municipality during the first half of the financial year, as required by section 72(1)(a)(ii) of the MFMA.
48. A performance audit committee was not in place and the audit committee was not used to fulfil the performance audit committee function, as required by Municipal planning and performance management regulation 14(2)(a).
49. The annual performance report for the financial year under review was not prepared, as required by section 46 of the Municipal Systems Act, 2000 (Act No. 32 of 2000) and section 121(3)(c) of the MFMA.
50. The municipality did not have and maintain effective, efficient and transparent systems of financial and risk management and internal controls as required by section 62(1)(c)(i) of the MFMA.

Budgets

51. Expenditure was incurred in excess of the limits of the amounts provided for in the votes of the approved budget, in contravention of section 15 of the MFMA.

Annual Report and Annual Financial Statements

52. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA.
53. The annual report for the year under review does not include; assessment of the municipality's performance against measurable performance objectives for revenue collection from each revenue source and for each budget vote and the report from the audit committee, as required by sections 121(3)(f) and (j) and 121(4)(g) of the MFMA.
54. Oversight report, containing comments on the annual report, was not adopted by council within two months from the date on which the 2011-12 annual report was tabled, as required by section 129(1) of the MFMA.
55. The council's oversight report on the 2011-12 annual report was not made public within seven days of its adoption, as required by section 129(3) of the MFMA.

Audit Committee

56. An audit committee was not in place, as required by section 166(1) of the MFMA.

Internal Audit

57. The internal audit unit did not function as required by section 165(2) of the MFMA, in that:

- it did not report to the audit committee on the implementation of the internal audit plan.
- it did not advise the accounting officer and report to the audit committee on matters relating to internal audit, internal controls, accounting procedures and practices, risk and risk management and loss control.

58. The internal audit unit did not advise the accounting officer and report to the audit committee on matters relating to compliance with the MFMA, the DORA and other applicable legislation, as required by section 165(2)(b)(vii) of the MFMA.

Expenditure Management

59. Money owed by the municipality was not always paid within 30 days or an agreed period, as required by section 65(2)(e) of the MFMA.

60. Payments were made without the approval of the accounting officer or a properly authorised official as required by section 11(1) of the MFMA.

61. Reasonable steps were not taken to prevent unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

Revenue Management

62. A credit control and debt collection policy was not maintained and implemented, as required by section 96(b) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) and section 62(1)(f)(iii) of MFMA.

63. An adequate management, accounting and information system which accounts for revenue and debtors was not in place, as required by section 64(2)(e) of the MFMA.

64. An effective system of internal control for debtors and revenue was not in place, as required by section 64(2)(f) of the MFMA.

65. Revenue due to the municipality was not calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.

66. Accounts for municipal tax and charges for municipal services were not prepared on a monthly basis, as required by section 64(2)(c) of the MFMA.

67. Interest was not charged on all accounts in arrears, as required by section 64(2)(g) of the MFMA.

Conditional Grants Received

68. The municipality did not submit quarterly performance reports to the transferring national officer, the provincial treasury and the National Treasury, within 30 days after the end of each quarter, as required by section 12(2)(c) of the DORA.
69. The municipality did not submit MFMA implementation plans to National Treasury to address weaknesses in financial management, as required by the DoRA.
70. The municipality did not submit the evaluation to the transferring national officer within two months after the end of the financial year, as required by section 12(5) of the DoRA.

Asset Management

71. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.
72. An effective system of internal control for assets was not in place, as required by section 63(2)(c) of the MFMA.

Consequences Management

73. Unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, in accordance with the requirements of section 32(2) of the MFMA.
74. Irregular expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, in accordance with the requirements of section 32(2) of the MFMA.
75. Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, in accordance with the requirements of section 32(2) of the MFMA.

Procurement and contract management

76. Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations as required by SCM Regulations 17(a) & (c).
77. Goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM Regulation 19(a).
78. The preference point system was not applied in all procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act and SCM Regulation 28(1)(a).
79. Quotations were awarded to providers whose tax matters had not been declared by the South African Revenue Service to be in order, as required by SCM Regulation 43.

80. Quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM Regulation 13(c).
81. Construction projects were not always registered with the Construction Industry Development Board (CIDB), as required by section 22 of the CIDB Act, 2000 (Act No. 38 of 2000) and CIDB regulation 18.

Human Resource Management

82. An acting municipal manager, CFO and other senior managers directly accountable to the municipal manager was appointed for a period of more than six months, in contravention of sections 54A(2A) and 56(1)(c) the Municipal Systems Act, 2000 (Act No. 32 of 2000).
83. Senior managers did not have the higher education qualification and any of the prescribed competency areas as required by regulations 6 and 7 of the Municipal Regulations on Minimum Competency Levels.
84. The municipal manager and senior managers directly accountable to the municipal manager did not sign performance agreements, as required by section 57(2)(a) Municipal Systems Act, 2000 (Act No. 32 of 2000).
85. The municipality did not develop and adopt appropriate systems (policies) and procedures to monitor measure and evaluate performance of staff in contravention of Municipal Systems Act, 2000 (Act No. 32 of 2000) section 67(d).
86. The competencies of financial and supply chain management officials were not assessed in a timely manner in order to identify and address gaps in competency levels as required by the Municipal Regulations on Minimum Competency Levels regulation 13.
87. The municipality did not submit a report on compliance with prescribed competency levels to the National Treasury and relevant provincial treasury as required by the Regulations on Minimum Competency Levels regulation 14(2)(a).
88. The annual report of the municipality did not reflect information on compliance with prescribed minimum competencies as required by the Regulations on Minimum Competency Levels regulation 14(2)(b).

Internal control

89. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for disclaimer of opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

90. Senior management of the entity did not set the correct tone at the top. Senior management did not adhere to internal controls, which resulted in various instances of irregular, fruitless and wasteful and unauthorised expenditure being incurred and other material misstatements in the financial statements, not detected by management.

91. The accounting officer did not ensure that internal control procedures were developed, implemented and monitored to ensure that monthly sets of GRAP financial statements were prepared and subjected to review.
92. The accounting officer did not communicate the commitment to quality in preparing the annual financial statements.
93. Actions plans to address prior year audit findings were not monitored by the leadership of the municipality resulting in the reoccurrence of material misstatements in the annual financial statements and unresolved matters from prior year audits, affecting the auditor's opinion.

Financial and performance management

94. Management did not review the financial statements, to ensure the achievement of fair presentation; this resulted in material amendments to the financial statements.
95. Specific training interventions are needed in the municipality to enable finance staff members to understand and implement the GRAP Financial Reporting Framework effectively in order to fully meet the disclosure requirements of these standards.
96. Records management and maintenance disciplines should be refined and included in the daily key controls and reviewed and monitored by the appropriate level of management.

Governance

97. Involvement and oversight of management during the reporting phase should be improved to ensure complete, accurate and timely reporting. In this regard a high number of adjustments were made to the financial statements.
98. The municipality did not ensure the establishment of an effective internal audit unit to enhance the internal control environment. The internal audit unit is imperative to ensure the proper implementation and monitoring of internal control.
99. The municipality did not ensure that the audit committee is established. The audit committee is imperative to ensure the proper implementation and monitoring of internal control.

Auditor General
Kimberley

30 November 2013



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence